

**SETTY PICKS PUBLICATIONS**

# **PROBABILITY AND POSSIBILITY**

**PROCESS IS MORE IMPORTANT THAN RESULT AND  
RESULT IS BY PRODUCT OF PROCESS**

**O.R NIRMAL**

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## CHAPTER 01 RISK AND REWARD

Risk can be simply defined as the factor of unknown. When you knew what you gonna lose in a trade then you have no risk technically. it just amounts which you lose when a trade goes against your setup.

The reward is what you get if the setup works and trade goes in your favour. The reward is fixed in some cases and it changes as per the situation in many cases.

Though risk and reward are two unparallel lines they are interconnected if you miss anyone line you will fail miserably

Risk Reward should be considered and taken as a factor along with probability and possibility outcome of the trade when placed  
RISK: REWARD ratio quantifies the relationship between the potential dollars lost, should the investment or action fail, versus the dollars realized if all goes as planned.

## CHAPTER 02 PROBABILITY AND POSSIBILITY

let's derive the meaning of possibility and probability from an example

if you are playing IPL final match, a team that is captained by you needs to hit 6 runs from 2 balls and the batsman gets out for an LBW. you need to send a batsman to play the last ball and he has to hit 6 runs to make your team win the IPL trophy who would you choose to play the last ball the players you have is dhoni, Faf du Plessis, Jadeja, Shardul Thakur, Sam Curran, Deepak Chahar and yourself.

### **WHOM WOULD YOU CHOOSE?**

#### **Mahendra Singh Dhoni**

we all would have chosen dhoni no matter what, there are still chances that he may fail and others may succeed but we choose dhoni. The reason is dhoni had a higher probability than other players(simply he has more chances)

even other players would have hit 6 runs last ball, Even if you bat, you could have hit six just by blindly swinging the bat.(less chance to happen can be termed as a possibility)

things or events having fewer chances to occur is a possibility.

things or event having higher chances to occur is known as the probability (never 100%)

Normally, when the crude price rises the tyre and paint sector stock price tend to underperform or fall but in some special cases paint and tyre sector stock price rise with rising in crude oil prices.

Crude oil is bought only in US dollars. For example, Let's consider India when the USD/INR goes down we can purchase crude oil at a cheaper price in such cases the tyre, paint, Aviation sectors operate with better margins. Therefore If the US dollar increases these companies make less margins compared to when the US dollar is stable or falling against the Indian rupee.

## CHAPTER 03 PROBABILITY IN TRADING

Applying possibility and probability in trading is very easy but tough to follow

if you see the proper setup and by following rules, if you trade, you will be having higher chances of making the trade in your favour but not 100%. but it is never a concern it is ok that if you have an accuracy of 70%. you will be in huge profits when you follow the process with a proper risk to reward ratio you will be profitable and be a better trader with time.

if you have a risk-reward ratio of 1:10 even with a 40% probability you will make good returns

**The process is more important than the result and the result is a byproduct of the process**

**- M.S.Dhoni**



CHAPTER 04

# CASINO STRATEGY

The House always wins

Setty picks

## CHAPTER 5 BREAKING THE MYTH

**“Don't go to that casino. all their games are designed to make you lose more money than you earn so that the house always wins”.**

The truth is even the casino loses most of the times but it takes probability in its favour they have an edge over customers .the longer you stay in the game more the chances you win. for example, we will consider one of the casino games.

### **Roulette wheels -**

a gambling game in which a ball is dropped onto a revolving wheel with numbered compartments, the players betting on the number at which the ball comes to rest  
In the game, players may choose to place bets on either a single number, various groupings of numbers, the colours red or black, whether the number is odd or even, or if the numbers are high (19-36) or low (1-18).



## CHAPTER 06 HOW IT SHOULD WORK

ROULETTE Wheel should consist of 18 black slots and 18 red slots if this is the case the casino has the winning probability of 50%. and there would be no way to make a profit for the casinos and they won't be able to pay their expenses and salary to staff and eventually it leads to bankruptcy.

To overcome this and increase their probability they came up with a new idea.

PROBABILITY {50%}

18 RED

18 BLACK

NO PROFIT

## CHAPTER 07 HOW THEY MADE IT WORK

to make profits the casino houses need to increase the probability of winning so they added two green slots in which if the balls fall on green slots the house wins and the person who bets against the house loses.

this bought the difference and helped the house to increase the chance of winning

Red 18

Black 18

Green 02(real game)

Commonly used roulette wheel style is 37 (single zero French/European style roulette) or 38 (double-zero American style roulette). In European style, the roulette wheel has 1 green slot. the winning probability edge for casinos is 2.70%. In American style, the roulette wheel has 2 green slots. the winning probability edge for casinos is 5.40%.

## CHAPTER 08 PROBABILITY AND SUCCESS

The probability after adding two green slots ( considering American style roulette wheel.

### **Probability**

Win 52.7%

Loss 47.3%

Profit 5.4%

we can clearly see that casinos have increased their odds of winning in their favour and make millions. casinos have the edge. always be the house

winning and losing is a part of the game. a slight edge will create a huge difference follow the process automatically you will be having a higher probability. apply the same concepts in your trading carrier and be a successful trader.

casino theory would have cleared your doubts about how a slight edge, increase in probability can help you make money.

be the house not the player use probability in your favour



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